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U.S. Tobacco Trade in the 1960's

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This week's cover:

Japanese man sorts tobacco; Greek and Indian women string it for drying. Although other tobacco producing countries are stepping up their exports, U.S. tobacco remains the leader in world trade. See story beginning this page.

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The Story of the 1960's: U.

By B. G. ANDREWS
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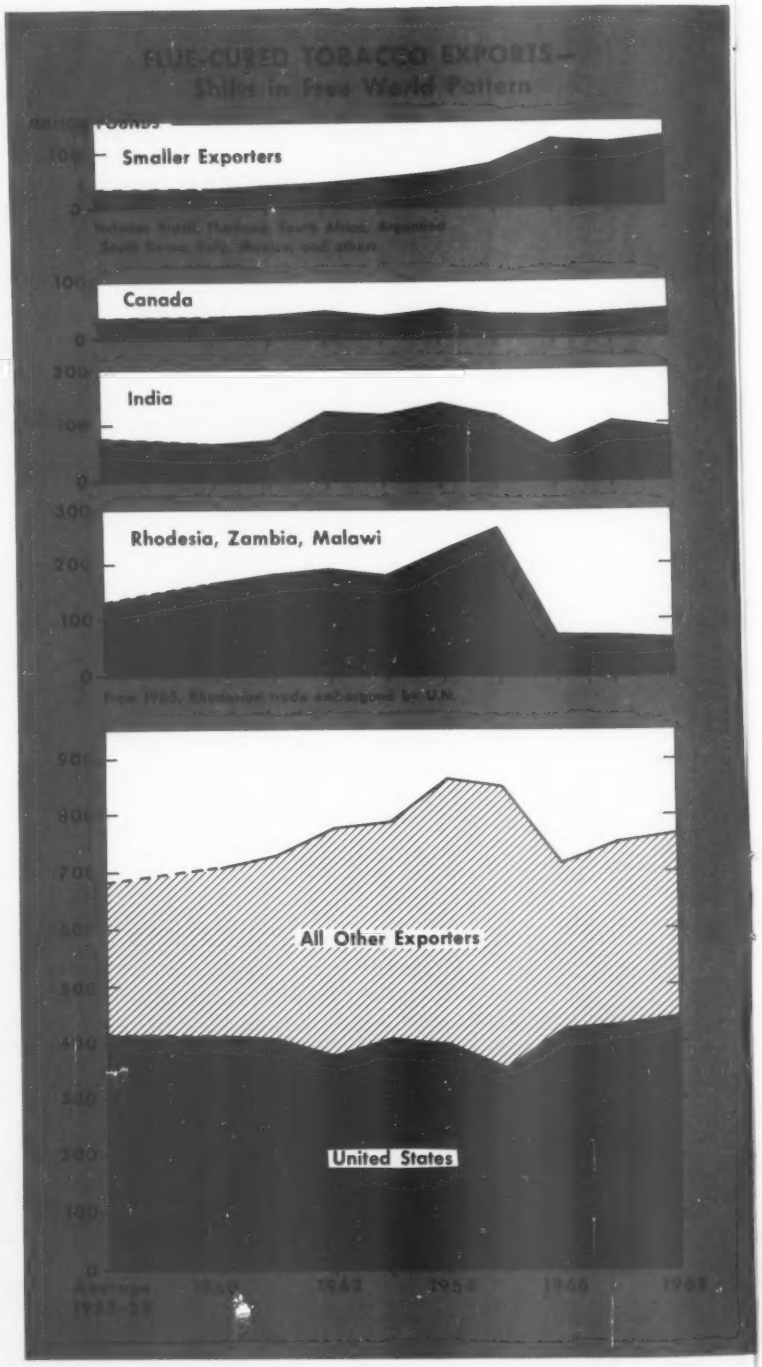


U.S. Tobacco in World Trade

For U.S. tobacco trade, the decade of the 1960's began and ended with increasing competition. But during the 10 years, dramatic shifts in both world tobacco production and exports have altered the list of competing countries.

The United States, by far the world's largest producer and exporter of tobacco, found its share of total trade declining in the early part of the decade as other exporting countries—in particular, Rhodesia—moved vigorously into the market. Rhodesia, rapidly expanding its production, gained second place to the United States as an exporter of flue-cured cigarette leaf.

Now, as the end of 1969 approaches, the same story of increasing competition for U.S. leaf is being told—though with a somewhat different group of characters, for at the midpoint of the decade the tale took a dramatic new twist. Because of Rhodesia's unilateral declaration of independence (UDI) in November 1965, the United Nations embargoed Rhodesian trade. Since then, Rhodesia's tobacco exports have sharply declined, and the bulk of this loss in world supplies has been taken up by increased U.S. exports.

U.S. exports were further boosted in this period as a result of improvements in leaf quality brought about by the acreage-poundage control program for flue-cured leaf and by the initiation of a limited export payments program. Moreover, rising world cigarette consumption, despite the tobacco-and-health controversy, upped world demand for cigarette leaf.

Meanwhile, however, other exporting countries were rapidly increasing their production of flue-cured and burley types of cigarette leaf—both to capitalize on the absence of Rhodesian supplies and to meet the demand for quality American-type cigarette tobaccos generated by the increasing worldwide popularity of American-blend cigarettes. Also, some importing countries began to produce more of their own leaf requirements. Thus, production and exports of flue-cured and burley tobaccos have been markedly expanded by several countries that were formerly not so active in world tobacco trade. As the decade draws to a close, all this is now adding up to renewed strong world competition for U.S. leaf.

Production patterns have changed

By far the largest part of world tobacco production is cigarette leaf; of this, the largest part is the class known as flue-cured. Flue-cured is also the class traded in greatest quantity on world markets. This discussion of the shifts in world tobacco production during the decade focuses, therefore, mostly on flue-cured, with some references to burley—second most important class of U.S. cigarette leaf.

In the past decade, the pattern of world tobacco production has changed noticeably. Just before the decade began, in 1955-59, U.S. production averaged about one-fourth of the world's 8.5-billion-pound tobacco crop. Of the Free World's flue-cured and burley crops, the United States accounted for more than half and more than four-fifths, respectively. Other major Free World producers of these types of leaf during this period included Canada, Rhodesia, Japan, India, the Philippines, and Brazil for flue-cured and Italy, Spain, Japan, West Germany, and Canada for burley.

During the early 1960's, though the United States remained by far the world's largest producer of leaf tobacco, the cultivation of cigarette tobaccos was being stimulated outside the traditional areas. In Rhodesia, and to a limited extent in other countries, production of these tobaccos was destined for export. By 1965, Rhodesia was producing 9 percent of the world flue-cured crop but had gained 30 percent of world flue-cured exports. With the imposition of UN sanctions in 1965, Rhodesia's production and exports declined. It has retained surpluses in storage, however, for disposal when the embargo ends.

Though world production as a whole, reacting to the demand for light tobaccos for cigarette manufacture, continued to expand rapidly throughout the decade, U.S. production turned downward about 1965 in response to a domestic oversupply and is currently lower than a decade ago. Sharp increases have been registered in other countries, however, particularly in the developing areas of South Korea, Thailand, Pakistan, and Brazil. Such increases as these have been sufficient to reduce the U.S. share of Free World flue-cured production from 54 percent in 1955-59 to 38 percent in 1968.

While U.S. burley production too was dropping during the decade, from about 82 percent of the world total to 68 percent, production of burley outside the United States was rising rapidly from a 1955-59 average of 108 million pounds to 267 million in 1968. Large increases of burley production took place in recent years in South Korea, Spain, Greece, Mexico, Japan, Italy, Brazil, and Argentina.

A number of factors have contributed to this expanding production of flue-cured and burley tobaccos in the developing countries. Most important are the rapid and continuing rise in world demand for blended cigarettes; increased U.S. prices; preferential arrangements for certain suppliers; ample supplies of low-cost labor; and higher net returns per acre from these tobaccos than can be obtained from most other competing crops, including other types of tobacco.

Trade patterns too have shifted

About one-fifth of world tobacco production is traded between countries. The world's main export markets are Western Europe and the United States (a principal importer of the oriental cigarette tobaccos that are the specialty of Greece and Turkey).

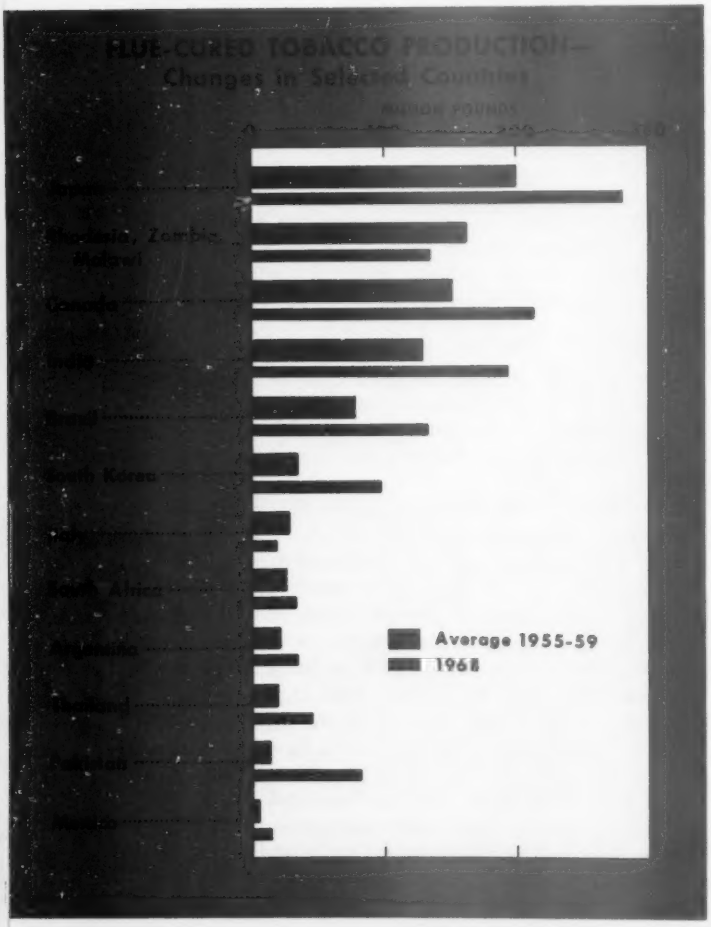
The pattern of world tobacco trade, like that of production, has shifted dramatically during the decade. Free World exports of unmanufactured tobacco continued to grow, increasing from an average of about 1,435 million pounds (export weight) in 1955-59 to 1,796 million pounds in 1968. But the United States—although still the world's largest exporter of unmanufactured tobacco—has had a declining share of this rising world export trade, although total exports are up.

U.S. exports of tobacco are over 80 percent cigarette leaf, primarily flue-cured and burley. In 1955-59, U.S. exports of flue-cured leaf averaged 413 million pounds, or about 60 percent of Free World export trade in flue-cured. By the mid-1960's, U.S. exports had steadily dropped to 351 million pounds, or about 42 percent of the Free World total. During this period, Rhodesia's exports—primarily to the United Kingdom—were rapidly increasing. With the sanctions on

Rhodesian trade, some lowering of the world's flue-cured export total has occurred during the past 4 years, but U.S. exports have steadily increased; in 1968, they were at a new high plateau of 444 million pounds. Still, this represents a smaller share—58 percent—of total Free World flue-cured trade than before the decade began; for other countries such as South Korea, Thailand, Argentina, Pakistan, Brazil, and Japan have also benefited from the Rhodesian sanctions. They have developed their export trade substantially and are now supplying a sizable part of the Free World's requirements. Moreover, they are expected to take the necessary steps to increase exports further in the years to come.

World burley tobacco exports too have increased during the decade, more than doubling from an average of 50 million pounds during 1955-59 to approximately 108 million in 1968. U.S. burley exports have gained somewhat in actual volume over the period but have not shared proportionately in the trade increase. Competitors which have made significant gains include Greece, Mexico, Japan, Italy, and South Korea; and U.S. burley can expect severe future competition.

Three major importing countries today represent nearly half the Free World's trade in tobacco—the United Kingdom, West Germany, and the United States; and if the other EC countries are added, the combined total comes closer to two-thirds of the world figure, with the EC share alone an exact third. During the decade of the 1960's, the United Kingdom and West Germany have vied for the top spot among tobacco importers. In 1968, the United Kingdom regained that place with 328 million pounds; West Germany, which had held first place since 1965, was second with 306 million; and the United States held third place with a new record level of imports for consumption—222 million.



Trends in the U.K., EC markets

A look at the United Kingdom and the European Community reveals several forces that have been acting on world tobacco trade—and U.S. tobacco exports—during the decade.

The *United Kingdom* has long provided the main export market for U.S. leaf. This market consumes only bright-leaf flue-cured in cigarettes. The Commonwealth areas have traditionally supplied a large part of its requirements (an average of 148 million lb. in 1955-59, or about one-half), under a favorable tariff; but providing leaf quality to meet the British needs has always been a problem for these areas. The United States, having ample stocks of quality leaf, supplied an average of 162 million pounds in 1955-59, or just over half.

During the 1960's, as Rhodesia expanded its production of flue-cured and improved its leaf quality with a guaranteed market, it began to supply more and more of the United Kingdom's requirements. By the end of 1965, about two-thirds of all leaf used in the United Kingdom was coming from Commonwealth sources, and by far the largest share of the Commonwealth leaf was Rhodesian. Meanwhile, imports from the United States rapidly declined to 91 million pounds, or only 32 percent. In 1965, Rhodesia alone sold almost as much leaf as the United States to Britain.

Beginning in 1966, however, when the sanctions that UDI brought upon Rhodesian trade first showed their impact, the sharply diminished Rhodesian share in U.K. tobacco supplies has been replaced by larger imports from other Commonwealth areas such as Canada, India, Malawi, Tanzania, and Pakistan, plus increased takings from the United States. In 1968, the United States supplied 165 million pounds, or 50 percent of all U.K. tobacco requirements, and about equaled the position it had held in 1955-59. Other areas, however—both Commonwealth and non-Commonwealth—were supplying markedly increased quantities to the U.K. market.

The world's largest importing area for leaf tobacco is now the *European Community,* whose membership includes West Germany (the second largest single market for U.S. leaf), the Netherlands, Belgium, Luxembourg, France, and Italy. Associated States include Turkey and Greece (both major tobacco producing areas) and Associated Overseas Territories (AOT's) on other continents. The Community's proposed Common Agricultural Policy for tobacco—if and when adopted—would encourage EC tobacco production and discourage the free flow of trade with third countries, including the United States.

In 1955-59, the United States supplied an average 31 percent of the leaf used by the six countries that were to become the European Community in 1959. Early in the 1960's, as the combined EC market for tobacco grew, the United States gradually increased the amount of its sales, but its percentage of the market dropped. Other areas, competing with the United States by offering lower prices, were out to supply ever-increasing quantities of tobacco to the Community; and recently the share of U.S. tobacco in total imports has slipped downward both in West Germany and in

most other members of the Community. By 1968, only 24.5 percent of the total EC tobacco imports came from the United States.

Among other suppliers, Latin America rapidly boosted its trade with the Community through 1967, but the trend faltered in 1968. Greece and Turkey have had shifts in their trade with the EC from year to year, though no appreciable trend has as yet developed. But trade among the EC members as well as with the AOT's has about doubled during the decade. Trade with Rhodesia (and the other two members of the former Federation of Rhodesia and Nyasaland—now Zambia and Malawi) showed a notable increase until the embargo against Rhodesia began in 1965. After that, supplies from developing countries expanded rapidly, and in 1968 they exceeded those from the United States.

Price competition

Buyers of tobacco, like buyers of most other goods, are influenced by price; but there is no world market price for tobacco such as there is for cotton or other agricultural commodities traded on recognized and distinguishable grades and qualities. Average export prices for similar types of tobacco sold by the various producing countries differ greatly; and U.S. tobacco is generally the highest priced.

U.S. leaf prices have been pushed up in the past decade by rising production costs. For example, the export price for flue-cured rose from about 70 cents in 1955-59 to 96 cents in 1968. These price levels have tended to act as an "umbrella" for prices of similar tobacco produced elsewhere. In addition, more U.S. leaf than at the beginning of the decade is being shipped stemmed, at even higher prices.

Meanwhile, the export price in a number of competing countries has remained at only about half the U.S. price. From some, such as South Korea and Mainland China, flue-cured leaf is being offered at only about a third of the U.S. price. Canadian flue-cured, with a Commonwealth duty preference of 18.5 cents per pound in the United Kingdom, was priced lower than U.S. flue-cured for most of the decade. In the past two seasons, however, the export price for Canadian flue-cured has slightly exceeded the U.S. price.

Quality competition

Today, there is a surplus of low-quality leaf around the world, available at much lower prices than are currently being paid for U.S. leaf of the lowest quality. Though the superior quality of U.S. leaf has always been desired in international trade, competing areas are making strenuous efforts to improve the quality of their leaf—and with some success. Moreover, the smoking-versus-health controversy that has been raging since the mid-1960's has encouraged a rapid shift to filter-tip cigarettes in most countries. In the United States, this controversy has raised the demand for low- and medium-grade leaf by domestic manufacturers for use in filter-tip cigarettes and has increased the competition with dealers for export leaf. In many foreign markets where price has not hitherto been a major consideration, buyers are showing more price consciousness; this has made foreign tobaccos more attractive and is diminishing the traditional quality advantage of U.S. leaf.

With rising tobacco prices, the United States could not retain its traditional share of world trade in the early part of the decade. Beginning in 1966, it initiated a limited export payment program which provides a 5-cent-per-pound payment for U.S. leaf exports to help them become more competitive in world markets. Also, growers of flue-cured tobacco adopted an acreage-poundage program which restored the price incentive for production of quality leaf. These actions have helped to some extent in temporarily raising the volume of U.S. exports to the new plateau.

Looking toward the 1970's

Indications are that during the 1970's the United States will need to fight hard to retain its plateau. An increasing share of world tobacco consumption is in the form of cigarettes, primarily the American-blend type; and this has spurred several countries to supply more of their own needs of flue-cured and burley and to nibble away at established world markets. The rising trend in popularity of American-blend cigarettes is expected to continue as American manufacturers expand into overseas markets with subsidiaries or arrangements to manufacture under license.

In 1968, despite recent substantial increases in product costs and the growing controversy over the effects of cigarette consumption on health, world cigarette output increased 4 percent from the previous year and more than 50 percent from the 1955-59 average. Almost every country in the world continues to share in the rise, though the biggest recent gains have been recorded in the developing countries. The two major cigarette producers—the United States and the United Kingdom—have slowed their rate of growth. The influence of price and other factors on the future cigarette consumption of these leaders is yet to be determined.

The increasing growth rate of the population and the rising levels of incomes, especially in developing countries, will tend to spur tobacco consumption. The current level of world cigarette output requires approximately 6.5 billion pounds of unmanufactured leaf or two-thirds of world production. However, technological changes in the manufacturing of tobacco products have enabled the industry to utilize the raw leaf more efficiently. The technique of replacing ordinary leaf with stems and homogenized tobacco sheet has become widespread in the United States and is becoming popular in many other countries. Moreover, the trend toward filter-tip cigarettes—which require less tobacco to fill the cigarette column—continues to increase almost everywhere. Thus, the quantity of tobacco required per unit of output is not keeping pace with the rate of cigarette consumption.

The tobacco export market is still unsettled, and it would be most difficult to make accurate long-term forecasts. Should Rhodesia reenter the world market; or should the Common Agricultural Policy on tobacco, as presently proposed, be adopted in the EC; or should the United Kingdom join the Community: any of these could radically change the tobacco trade picture. It should be remembered that tobacco is easily stockpiled and that tobacco trade throughout the world is affected by a number of differing barriers and by various political situations, in addition to economic factors.

U.S. tobacco traders have some major advantages—their own experience and know-how, plus the superior quality and availability of the leaf they sell. Unless U.S. competitors can pull ahead in these respects, the United States will continue as the world's top exporter of cigarette leaf. But whether it will also be able to keep its leaf exports at their current high level remains to be seen.

FAO To Act on World Plan for Agriculture

By QUENTIN M. WEST and ANTHONY S. ROJKO
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One of the most significant items on the agenda of the Conference of the Food and Agriculture Organization currently assembled in Rome, Italy, is a document entitled "Provisional Indicative World Plan for Agricultural Development."

Prepared by FAO, the document is in three volumes. Volumes I and II present a synthesis and an analysis of factors relevant to agricultural development in the developing world during the 1970's and early 1980's as related to world agricultural developments and as affected by them. Volume III presents the main conclusions and policy implications of a provisional indicative world plan (IWP) and outlines the strategies necessary for attaining its objectives.

In essence, the IWP is a plan of indicated policies at the international and national levels which, it is felt, should accelerate agricultural and economic growth of the developing countries if followed by those countries.

The Conference is being asked to evaluate the 3-volume document, recommend its final disposition, and indicate how the IWP can provide a strategic framework for FAO's future work and action.

The provisional IWP will also be the focus of the Second World Food Congress to be held in The Hague, the Netherlands, next year.

Four years in the making

The provisional IWP reflects FAO's effort to construct a consistent framework on a worldwide basis for analyzing the problems of agricultural development in the developing countries. According to the FAO Conference of November 1965, such a plan should provide: (1) A focus for the activities of FAO; (2) an international frame of reference that would help governments formulate and implement their agricultural policies; (3) a useful basis for attempts to reconcile the conflicts of production and trade policies between countries; and (4) guidance for international aid activities.

Work on the IWP began in late 1965. Initially the plan was to encompass two time horizons—a 10-year projection to 1975 and a 20-year projection to 1985. The world frame concentrates on 1985.

Commodity projections to 1975 and 1985 were issued in 1966. These were reviewed in detail and evaluated by two 1967 sessions of FAO's Committee on Commodity Problems. The commodity projections were considered as a preliminary world commodity frame to be used as a starting point in producing regional plans in depth for the developing world. Completion of the regional plans would then be followed by a comprehensive world plan and subsequently a revision of the commodity projections.

A provisional Regional Plan for the Near East was presented at the 1966 session of the Near East Commission on Agricultural Planning held in Cairo, UAR.

No further regional reports became available until late in 1968 and early 1969. These later reports include one for South America, one for Africa south of the Sahara, and one for nine countries in the Far East. The report coverage of the developing world was more limited geographically than initially planned but greater in depth.

The English version of the overall world report now being considered in Rome became available in September of this year.

Essential IWP elements

As stated in the document being considered, "The IWP is both an attempt to look into the future by means of projections, and to influence it by proposing specific objectives for the agricultural sector together with recommendation for their attainment."

The essential elements of the plan are:

- A much faster increase in cereal production, particularly during the first decade of the plan—the 1970's—in order to secure staple food supplies.
- An integrated short- and long-term program to diversify the diet, particularly to increase protein supplies. As a result of rising incomes demand for protein foods is expected to grow much faster than demand for cereals.
- Earning foreign exchange through more comprehensive commodity policies, planned structural changes, and increased efficiency in production and marketing; and saving foreign exchange through economic import substitution.
- Providing additional employment in the agricultural sector and helping to create opportunities for employment outside agriculture in allied industries.
- Intensification of land use—both to meet production objectives in some countries and to assist in the solution of employment problems.

On comparative advantage

Underlying many of the strategies proposed in the IWP is the argument that in the long run the comparative advantage in producing agricultural products probably lies with the less developed countries (LDC's), and thus an acceleration of the relative shift of resources out of agriculture in other countries will benefit both the developed and the developing countries. However, the study itself provides no analytical proof that this is so. There is no general agreement among economists on this point, and comparative advantage varies among products, exporters, and importers.

According to the report, "The long-run opportunity costs of meeting increased future requirements of high-income countries for competing products would be lower if zone C [the LDC countries] supplied a larger share than at present. This generalization is based on the existence of widespread protectionism in the high-income importing countries, which implies that in such countries domestic production costs are higher than the cost of imports, and of their having much greater scope than the developing countries for alternative profitable uses of resources engaged in agriculture or available to it."

While the report does not explicitly state that developed exporters could also lower their opportunity costs by reducing inputs to agriculture, it recommends reduction of export subsidies and modification of favorable terms of sale (concessional sales) offered to developing countries.

It is possible that the developed exporters, of wheat and

feedgrains for example, could compete successfully with the developing countries even if export subsidies were removed. There are ample studies in the United States that indicate wheat and feedgrain availability for export would be greater if production controls were removed.

Other report highlights

• The need to increase foreign exchange earnings of LDC's through expanding agricultural exports arises because "Even a moderate rate of growth in the predominant agricultural exports will add a larger absolute amount to export earnings of most developing countries than a high rate of growth in nonagricultural exports. Thus, over the time span of the IWP, there is no alternative to accelerated growth in agricultural exports if most developing countries are to add substantially to their foreign exchange earnings."

There is some question as to the extent to which the developing countries should stake their economic development on attempting to increase export earnings for commodities that are already under price pressures in the world market.

• Two major issues of agricultural trade are involved in IWP objectives—the size of the future world import demand and the share of this world market for the developing countries. If the objectives of the Plan were to materialize, the share to the developing countries would increase substantially and there would be a reversal of world trends in some areas of production, such as the production of grains.

• Running through the report is the conclusion that concessions to the developing countries are justifiable and necessary because of a basic assumption that problems confronting developing countries pose graver and more fundamental human and economic issues than problems faced by the developed countries.

• The report suggests that trade between developing countries needs to be encouraged and that, since financing this trade may be a problem, some new system of export credits may be needed. Another measure suggested to favor inter-Zone C trade would be "a scheme, probably within a framework of international aid, to lower the effective import costs to deficit developing countries of trade with other developing countries."

The latter suggestion seems to contradict another report statement that ". . . undue reliance on aid is, for various and well known reasons, unsatisfactory and unacceptable."

• The report recommends expanding LDC exports of commodities of high-income elasticity, particularly forest products and beef. "Beef exports of 4 million tons might be envisaged in South America alone by 1985, given positive steps to eliminate foot and mouth disease and suitable agreements with importing countries."

However, according to the report, large expenditures to eradicate animal diseases in developing exporting countries cannot be justified "unless developing countries can obtain reasonable assurance that if they undertake these expenditures and are successful in expanding the export production of beef of acceptable hygienic standards their meat will not be kept out of the high-income countries by severe or unpredictable import controls of various kinds . . ."

Improving market access in Japan and Western Europe might reduce pressures on exports of beef to the United States and need of beef import quotas in the United States.

• Food aid in the form of milk and milk products is suggested "because of difficulties of expanding milk production rapidly in tropical countries" unless there is a "breakthrough on a large scale with acceptable, cheaper forms of protein."

• A removal or reduction of trade restrictions on sugar by the developed countries is suggested, and the allowing of imports from developing countries to obtain the same equivalent price as that received by domestic producers.

• An increase in the volume of processed commodity exports from the LDC's is recommended.

• The major effects on U.S. exports that would result if Zone C export availabilities suggested by the report were to be accommodated appear to be: Substantial cuts in U.S. exports of wheat and feedgrains; a drastic cut in exports of rice; no gain in cotton exports from recent low levels; but probably an expansion of exports of high-protein food and food supplements.

Japan's Consumer Prices Hit New Record High

According to press reports using 1965 as a base, the consumer price index in Japan averaged 122.7 in August 1969 and showed a record rise of 7.2 percent over the corresponding month in 1968. The previous high occurred in July 1969 when the index registered a 7.1-percent increase over the corresponding month of a year earlier.

Food prices, which rose by 10.5 percent over last year, were primarily responsible for the price rise. The consumer rice price had been set at 8 percent above the previous year and was no doubt a chief factor in the higher food index. According to reports, the index for fruit was up 37.8 percent over the previous year; the total index was 143.9 in August. Prices for vegetables and pork were also high. Pork prices during August were 29.2 percent higher than the governmental desired maximum price.

Officials of the Ministry of Agriculture and Forestry stated that prices for vegetables would stabilize as supplies become more abundant during the fall season. Likewise, the rise in pork prices—resulting from fast-rising demands and insufficient supplies—is expected to be stemmed by increased imports. The Ministry has twice authorized emergency pork imports this year and considers more imports to be necessary to bring the price down.

The Government had hoped to limit the consumer price increase to within 5 percent this year as the tolerable rate of increase was felt to be about 3 percent. Although the tolerable ceiling has been exceeded every year since 1964 the rise had been kept below the 5-percent mark except for 1965. Since 1964, percentage increases in the national consumer price index have been as follows:

Japan Fiscal Year	Percent increase
1964	4.6
1965	6.4
1966	4.7
1967	4.2
1968	4.9
Average April-July 1969	4.7
August 1969	7.2

—Based on dispatch from ELMER W. HALLOWELL
U.S. Agricultural Attaché, Tokyo

A United States view

The EC's Common Agricultural Policy and World Trade

By HENDRIK S. HOUTHAKKER
Member, Council of Economic Advisers
Exceutive Office of the President

Earlier this fall the author spoke at a meeting of the Netherlands Chamber of Commerce in the United States, held in New York City, on "Agricultural Trade Relations Between the United States and the European Economic Community." The article below is an excerpt of his remarks relating especially to international grain trade. In his introduction Mr. Houthakker pointed out to an audience not primarily interested in agricultural trade that ". . . trade, like peace, is indivisible, so that developments in agricultural trade have repercussions on industrial trade and on economic relationships generally."

The effects of the Common Agricultural Policy on international trade have been mixed. In wheat, where the discrepancy between the world price and the internal EC price is probably the largest, the six countries have become net exporters where before the introduction of the CAP they were net importers. This, of course, is largely the result of the artificial stimulus to European production resulting from high domestic prices.

In feedgrains we have seen the same thing happen in the last few years. In soybeans, tobacco, and cotton—all items in which we have a major export interest—the Community has continued to be a substantial importer. In dairy products (especially butter) unrealistic price levels have led to a steady accumulation of surpluses.

The effects of the CAP on European agriculture are much harder to assess. In the absence of production controls there have been substantial increases in production, but it is a curious commentary on the economic justification of the CAP that meaningful data on European farm income are apparently unavailable.

Farm prices and farm income

A policy of high farm prices is usually presented as being obviously in the interest of farmers, but this cannot be taken for granted. To maintain that high farm prices are an efficient way of supporting farm income is to confuse income with gross receipts. Generally speaking, high product prices will increase the gross receipts of farmers, but they will also stimulate additional purchases of equipment, fertilizer, and so on and lead to higher land values.

While high farm prices will undoubtedly make some positive contribution to farm income, the benefit to farmers is in general much smaller than the cost to consumers. Moreover, this benefit goes predominantly to the larger farmers who have most to sell, but who usually are least in need of support. It is in large part because of this that in the United States we have gradually retreated from a policy of high farm prices and turned to a policy of direct payments, which can be designed to give a higher degree of efficiency in supporting net farm income.

The claim that high European farm prices are necessary for the support of European agriculture can therefore not be taken at face value; if that really were the purpose, suitably designed direct payments would be a more suitable means.

I cannot go here into the political arguments sometimes advanced in favor of the Common Agricultural Policy, except to point out that it was originally justified as an essential step in the political unification of Europe. This, of course, is a goal which the United States has repeatedly supported. As President Nixon said in Brussels on February 24, "My talk with President Rey of the Commission of the European Communities has strengthened my convictions as to the high purpose and indispensability of European economic integration."

If a group of countries prepare to form an economic community, they may indeed have to have a Common Agricultural Policy, though not necessarily one of the form adopted by the EC; a policy with much lower prices would seem to meet this need just as effectively.

Actually it is not clear that the political unification of Europe has in fact been advanced by the introduction of the CAP. Not only does the membership of the EC remain confined to the original Six, but even among the Six progress towards greater political unity has been slow so far. Moreover, disputes over the ways in which the large cost of the CAP should be shared appear to put some strain on the political process within the EC.

CAP distorts trade

It is, of course, no business of the United States whether income transfers from European consumers and taxpayers to European farmers are efficient and reasonable or not. What does concern us is the distorting effect of the CAP on international trade. The case of wheat is especially illuminating, and of current interest in view of the difficulties surrounding the International Grains Arrangement.

In all fairness, I must preface my remarks on the IGA by three observations: (1) The excessive stimulus to European wheat production given through the CAP is only one of many causes leading to a world surplus of wheat; (2) the distorting effect of the CAP has not been as clear in all commodities as it has been in wheat, though it is also evident in dairy products and feedgrains; and (3) the United States is gratified by the willingness of the EC to take part in discussions leading to greater stability in the world wheat market. The following discussion is merely intended to show how disruptive the influence of domestic policies, in the EC and elsewhere, on a world market can be.

Weaknesses of IGA

To return to the International Grains Arrangement then, most of you are aware that the minimum price provisions which are at the heart of this international agreement have recently been honored more in the breach than in the observance. While none of the major exporters (or for that matter the importers) can be absolved entirely from responsibility for the course of events, the sales made by the EC to the Far East in the spring of 1969 were an important factor in setting off a progressive erosion of world wheat prices. These sales were made at prices far below those at

which other exporters could sell to the same areas while obeying the minimum price schedule.

Since the other exporters were naturally not prepared to see their normal wheat markets disappear they had to react by cutting their prices. Despite a number of attempts to stabilize prices the world wheat price is now some 15 or 20 percent below the IGA minimum. But there is reason for confidence that prices are now on a plateau and that further drops can be avoided.

It is the firm intention of the United States Government to operate within the framework of the International Grains Arrangement during the 21 months that it still has to run. This is also the reason the United States has been in the forefront of the efforts to make the Arrangement work in the face of a worldwide surplus of wheat.

It should be recognized, however, that the IGA was never likely to be very successful, for it was poorly conceived, poorly drafted, and poorly administered.

It was poorly conceived in that it apparently assumed a worldwide shortage of wheat, as was indeed the case in 1966 and 1967 when it was negotiated. This shortage resulted mainly from essentially fortuitous causes such as the failure of the monsoon in Southwest Asia and poor crops in the USSR in previous years. By the time the arrangement went into force (in July 1968) it was already clear that the normal state of the wheat market, under prevailing government regulations, which is one of surplus, had been restored.

Nevertheless, this fallacious assumption apparently accounts for the absence in the agreement of adequate provisions for dealing with a surplus. The agreement provides that importers are entitled to buy certain quantities if the price is near the maximum of the specified range, but there is no corresponding provision obligating importers to buy certain quantities if the price is at the minimum. It is primarily because of this omission that the minimum prices of the agreement turned out to be untenable.

The agreement is also poorly drafted in that it gives very little freedom in pricing to some exporters but almost infinite latitude to others. Finally, the agreement has been inadequately administered in that some of the bodies intended to police its provisions have not functioned as intended.

These are not the only defects of the IGA, but enough of them to indicate that if the agreement is to work at all it needs revision, a need for which the agreement itself makes provision. In particular, as soon as the stability of the present price pattern is confirmed it would be desirable to put the minimum price schedule on a more realistic basis and to provide for more effective means of enforcement.

Inferences for other commodity agreements

I have dwelt on the International Grain Arrangement not only for its own sake but also to suggest that no commodity agreement is likely to survive unless its price provisions are sufficiently in tune with supply and demand. Commodity agreements, in fact, may be a useful supplement to a basically free market, but they are unlikely to be viable when market conditions are strongly influenced by governments and these governments have mutually inconsistent objectives. If the world market is treated as no more than a dumping ground for surpluses, it is idle to talk about "organization of markets."

For similar reasons the United States is not likely to show much interest in the proposals for a fats and oils agreement which are now under consideration in Brussels. The difficulties in the fats and oils complex are due in large measure to the surplus of butter in the Common Market, which itself is attributable to the high price of butter. Earlier suggestions by the EC to "solve" this problem by putting a tax on soybeans and products in contravention of the GATT have been met with firm opposition on our part. The new proposals, involving a tax on the imports of oilseeds which would be rebated to less developed countries, would seem to be no more acceptable than the previous ones.

If an area has a surplus of fats and oils it would be better advised not to shift the burden of a solution to others; instead it should consider either reducing the price of the surplus commodity (as we did recently in the case of soybeans) or introducing production controls (as we have done for many years in the case of wheat). The former solution is of course much to be preferred.

I do not wish to end my remarks on this somewhat negative note. The United States Government is not unaware of the difficulties facing the EC with its considerable though rapidly dwindling farm population. Despite a number of questionable features the Mansholt Plan for structural reform in European agriculture is to be welcomed as a sign of growing realism, at least in the sphere of production. It is to be hoped that this realism will soon extend into the sphere of farm prices as well, and that more generally the Community will come to recognize the mutual benefits of international exchange and the advantages of international cooperation in the solution of seemingly internal problems. On our part we stand always ready to continue the discussion of these matters.

Irish Raise Milk Price Support

Ireland's Minister for Agriculture and Fisheries recently announced adjustments in direct support prices on manufacturing milk. The new adjustments, which adopt the principles of the Government's Third Program, favor the small producer, and are a further move toward a two-tier system. Also, a back payment of one penny per gallon is to be made on deliveries to creameries of up to 1,000 gallons—per supplier—during each of the months May to August inclusive of this year. These adjustments should cost the Exchequer about $9.6 million, bringing total government support for milk during the current dairying year (April-March) to $74.4 million.

The new direct government payments, channeled through the creameries, effective September 1, are as follows:

Quantity of producers' annual supply	Adjustment	
	Old	New
	Pence [2]	*Pence* [2]
Below 7,000 gallons [1]	8	9
Between 7,000 and 14,000 gallons	7	6
Between 14,000 and 20,000 gallons	7	7
Between 20,000 and 30,000 gallons	7	4
Between 30,000 and 40,000 gallons	7	3
Between 40,000 and 50,000 gallons	7	2
Between 50,000 and 60,000 gallons	7	1
Above 60,000 gallons	7	

[1] An imperial gallon which weighs 10.32 lb. [2] One penny equals one cent.

About 80 percent of the Irish milk farmers are small farmers, producing less than 7,000 gallons annually; only about 6 percent supply more than 14,000 gallons annually. However, producers have not favored the adjustments.

The following summaries of some Argentine export trends are based on dispatches from Buenos Aires from **Joseph C. Dodson,** *U.S. Agricultural Attaché, and* **Gordon H. Lloyd,** *Assistant U.S. Agricultural Attaché.*

Argentina's Beef Production and Exports Advance

After a disrupted year in 1968 because of a several-month U.K. embargo on imports of Argentine meats, tightening EC regulations, reorganization of Argentine export practices, and a temporary halt on beef imports by Peru to encourage cattle slaughter in drought areas, both production and exports of Argentine beef are swinging upward.

Production and related elements

Beef production in 1969 is expected to be 2.7 million metric tons carcass weight equivalent (CWE) compared to 2.55 million tons in 1968. Slaughter at registered packinghouses and slaughterhouses during the first 8 months of 1969 was nearly 3.8 million head of cattle—more than 400,000 head greater than during the same period the year before. The increase was because of larger marketings of heavy steers; numbers of cows and calves slaughtered were lower than during the comparable months in 1968. Total number of cattle slaughtered in Argentina during 1969 is estimated at 13.3 million head—up slightly from the 1968 total of 13 million head.

At the same time, cattle numbers in the country are thought to be 500,000 greater on June 30, 1969, than a year before. Cattle producers may be becoming more confident of the future of the livestock industry and slowly expanding their herds. The retention of cows and calves and the trend toward marketing heavy steers supports this idea. Another factor, however, that gave cattle producers a boost was the highly favorable pasture conditions in most of the country during the first part of 1969.

If slaughter and production estimates for 1969 are correct, average carcass weight would be up to 448 pounds compared to 432 pounds in 1968. This would be the first reverse in a downward trend that began in 1966.

Foreign trade

Beef exports (CWE) are expected to be about 700,000 metric tons in 1969. Shipments during 1968 were 574,000 tons; during 1967, 695,000 tons; and during 1966, 586,000 tons. The dent in 1968 exports was chiefly caused by the import restrictions imposed by the United Kingdom after an outbreak there of foot-and-mouth disease.

Argentine shipments of chilled and frozen cuts (ready for retail sales without further processing) the first 8 months of 1969 were 75,000 tons—more than double the quantity exported during the same period in 1968. A rush in chilled and frozen quarters took place in Argentina in July and August as exporters hurried them to the United Kingdom before that country's ban on imports of beef with bone went into effect on October 1.

Even though future exports to the United Kingdom can be only boned cuts the recent reduction in the U.K. import duty from 20 percent to 5 percent on non-Commonwealth meats will help to make Argentine cuts competitive with beef from Commonwealth countries and even with U.K. domestic production. Argentine meat shippers expect a growth in meat exports to the United Kingdom.

Exports of cooked-and-frozen beef during the first 8 months of 1969 were down from the same period in 1968—chiefly because of the U.S. dock strike in early 1969. However, shipments are starting to pick up and the total for 1969 is expected to exceed the 1968 level.

Decreased 1969 Exports of Argentine Vegetable Oils

Argentina's 1969 exports of most vegetable oils and oilseeds have been cut by a combination of unfavorable weather, which affected 1969 crops, and greater domestic consumption and demand. Even the country's internal oils-and-fats equilibrium has been affected. For edible oils the situation is so serious that Argentina, which is normally a major exporter of sunflowerseed oil (the only major exporter in the Western Hemisphere), is considering importing sunflowerseed oil or other edible oils to discourage the activities of speculators and to hold down pressures on edible oil prices.

Sunflowerseed.—Production through early 1969 has been officially estimated at 876,000 metric tons. Output for the same period in 1968 was 940,000 tons. The 1969 crop was reduced by heavy rains during harvest in the Province of Buenos Aires, where about 50 percent of the crop is produced.

At the same time domestic consumption of edible vegetable oils—especially sunflowerseed oil—has expanded. Because of shorter supplies and steady demand, domestic prices have risen to near or above world prices so that processors are disposing of their oil on the profitable home market. Sunflowerseed oil exports have plummeted from 80,000 tons in 1968 to an estimated 5,000 tons or less in 1969.

Total production of sunflowerseed oil within Argentina from the 1969 crop is estimated at 252,000 metric tons compared with 318,000 tons in 1968. Stocks of seed were estimated at 340,000 tons as of September 1, 1969, and stocks of oil were approximately 24,000 tons.

The outlook for the 1970 crop is favorable and yields could be above average in the Province of Buenos Aires. Further north the planting of the early crop was delayed because of lack of moisture, but rains in late September encouraged seeding. The 1970 northern harvest will be later than usual, however.

Peanuts.—Area planted to peanuts has been declining in Argentina for the past few years because of better returns from alternative crops, such as corn and sorghum. The 1969 crop was down to 217,000 tons compared to 282,000 tons in 1968. Poor weather, though, also reduced crop yields. Oil production from the 1969 crop is estimated at 47,730 metric tons. Peanut acreage is expected to go down again in 1970.

Cottonseed.—In contrast to other major oilseed crops in Argentina used to produce edible oils, commercial cottonseed output rose sharply in 1969 and was 225,000 tons compared

with 138,220 tons in 1968. Cottonseed oil production from the 1969 crop is estimated at 26,604 tons compared to 15,870 tons in 1968. Increased production was due to larger acreage and favorable weather.

Argentina's small cottonseed oil exports are estimated at even less in 1969 than in 1968 in spite of increased production because of larger domestic consumption. Cottonseed oil is being substituted for sunflowerseed oil by some consumers.

Industrial products

Flaxseed.—Argentina in most years is the world's leading exporter of linseed oil—a product of flaxseed usually used for nonfood purposes. (The two other principal exporters are Canada and the United States.)

Argentina's 1969 flaxseed crop is forecast at 525,000 metric tons—up slightly from the 1968 outturn of 510,000 tons. Area planted to flax for the 1969 crop was 5 percent larger than for the 1968 crop because of the relative unattractiveness of 1968 wheat yields and prices. Also, some farmers in wheat areas had their scheduled wheat seeding for the 1969 crop delayed by rains and switched to flax. Moisture conditions have been good to excellent in Buenos Aires Province, but drought has prevailed in Santa Fe and Entre Rios Provinces. Consequently, yields are expected to be below last year's above-average level.

Exports of linseed oil from Argentina for the year ending October 31, 1969, are estimated at 115,000 metric tons—15,000 tons greater than shipments during the 1968 marketing year but much below the 176,000 tons traded in 1966-67. Present stocks of linseed oil are about 10,000 tons—somewhat lower than usual for the time of year.

Predicted exports of linseed oil for the marketing year ending October 31, 1970 are 110,000 tons.

Tung nuts.—Argentina's prospects for a large 1970 tung nut crop seem promising. The country is one of the world's three major exporters of tung oil; the other two principal exporters are Mainland China and Paraguay.

Trade sources estimate the 1970 Argentine tung nut crop at about 140,000 metric tons, which would mean an oil production of about 25,000 tons. The 1969 crop, which was reduced first by frost and then by drought, was only 68,300 tons of nuts, which produced about 12,300 tons of oil.

Typhoons Damage Banana Crop

Two recent typhoons, Flossie and Elsie, inflicted serious damage to the 1969-70 banana crop in the Republic of China (Taiwan). The greatest damage was in the T'aichung area of central Taiwan, which produces about one-quarter of the country's bananas and the bulk of the fall and winter banana production.

Total export losses are estimated at 48,000 metric tons (equivalent to 2.65 million 40-lb. boxes), valued at approximately $6.3 million. Over half of these losses would have been exported in the last 3 months of 1969, and the balance would have been exported in the first quarter of 1970. The Government of the Republic of China hopes to have exports back to normal by May 1970.

In 1968 Taiwan exported nearly 341,000 metric tons of bananas. Most of these exports went to Japan. Other minor customers were nearby Far Eastern markets.

Argentines Trim Sheep Numbers

Continuing a trend of several year's duration, numbers of sheep in Argentina are down again in 1969 and are now estimated at 47.5 million head. The low price of wool and strong competition from cash crops have converted some sheepmen to other pursuits. A major blow occurred April 1, 1968, when the United Kingdom banned all imports of Argentine lamb and mutton indefinitely because of feared contamination by foot-and-mouth disease. Argentina, who used to be a major lamb and mutton exporter with the United Kingdom as its chief market, now exports only minor quantities.

The lamb and mutton that is not being exported is being consumed in Argentina. An estimated 11,400 head of sheep will be slaughtered in 1969, and production of lamb and mutton is expected to be about 200,000 metric tons.

The decline in sheep numbers may be slowing, however, as the proportion of ewes slaughtered so far in 1969 is the lowest for many years and internal demand and prices for lamb and mutton are firm.

Austrian Grain Harvest Estimated

According to the first official postharvest estimate at the end of August, and U.S. Embassy estimates for corn and millet, Austria's total output of grains in 1969 is expected to set a new record. Overall 1969 grain production will be about 3,270,000 metric tons, approximately 225,000 tons or 7 percent more than the bumper crop harvested in 1968. And it will be about 500,000 tons or 18 percent larger than was originally assumed in official preharvest crop forecasts, which were emphasizing the drop in wheat production.

Major reasons for the increase are: (a) In the fall of 1968 and in the spring of 1969, Austrian farmers switched approximately 123,550 acres of nongrain land to grain production, resulting in a 5-percent increase in acreage over 1968, and (b) due to favorable weather conditions, per acre yields were larger than in the preceding season.

Practically all of this additional land sown to grains was used to expand coarse grain acreages. Adding acreages taken from wheat, Austria's total coarse grain acreage increased 153,202 acres to 1,284,920 acres. Accordingly, 1969 coarse grain production is expected to be roughly 20 percent above the level of 1968.

Because of the size of this year's grain crop, import requirements for food and feedgrains will be limited to about 20,000 tons of durum wheat for pasta production, 35,000 tons of feed oats, and possibly 30,000 tons of grain sorghums. In addition to the food and feedgrain requirements, Austria may import limited quantities of barley and corn for industrial purposes.

Preliminary production estimates now available for the 1969 grain crop are listed as follows with final figures for 1968 in parentheses. Breadgrains: wheat, 905,600 metric tons (1,044,700); rye, 437,700 (413,300); winter mixed grain, 14,900 (15,800); total for all breadgrains, 1,358,200 (1,473,800). Coarse grains: corn, 620,000 metric tons (398,600); barley, 919,200 (769,900); oats, 287,200 (324,100); millet, 6,000 (5,600); spring mixed, 79,400 (74,200); total for all coarse grains, 1,911,800 (1,572,400).

—Based on dispatch from ALAN W. TRICK
U.S. Agricultural Attaché, Bern/Vienna

CROPS AND MARKETS SHORTS

Weekly Report on Rotterdam Grain Prices

Current prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago, are as follows:

Item	Oct. 28	Change from previous week	A year ago
Wheat:	*Dol. per bu.*	*Cents per bu.*	*Dol. per bu.*
Canadian No. 2 Manitoba	1.94	+1	2.04
USSR SKS-14	1.77	0	1.95
Australian Prime Hard	1.85	+1	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	1.86	+4	1.95
15 percent	1.91	+1	2.04
U.S. No. 2 Hard Winter:			
13.5 percent	1.78	+1	1.91
Argentine	(1)	(1)	1.73
U.S. No. 2 Soft Red Winter	1.52	0	1.71
Feedgrains:			
U.S. No. 3 Yellow corn	1.45	−1	1.26
Argentine Plate corn	1.78	+1	1.38
U.S. No. 2 sorghum	1.44	−1	1.31
Argentine-Granifero	1.48	−1	1.29
Soybeans:			
U.S. No. 2 Yellow	2.73	+1	2.85

[1] Not quoted.

Note: All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

Canadian Quotas for Barley and Durum

The Canadian Wheat Board has authorized supplementary quotas of barley and durum wheat for delivery to the Board by November 28, 1969. The supplementary quota for barley is 3 bushels per acre, or 250 bushels per producer, whichever quantity is smaller. The supplementary quota for durum is 5 bushels per acre, or 250 bushels per producer. These current supplementary authorizations are separate from the more basic "unit" and "specified acreage" quotas employed in the Canadian grain delivery system.

Under the unit quota, at the beginning of the crop year (Aug. 1) every farmer is allowed to deliver grain of any kind to a total of 100 units. This year, one unit is equal to 4 bushels of wheat, or 10 of oats, or 6 of barley, or 6 of rye. The 100 units may be made up entirely of one grain or of any combination of them. This quota, although small, insures that all producers can convert some of the crop into cash. It was devised to prevent flooding of the elevator system by the large producer to the exclusion of the smaller.

The "specified (or general) quota" is based on acreage in grains, summerfallow, and forage crops. Under this quota the Board authorizes deliveries of any grain on a per acre basis depending upon available elevator space in various regions. The operation of the general quota tends to encourage delivery of the highest priced grains.

The issuance of the supplementary quotas specifically for barley and durum is an indication that the Board has a market for these specific grains, and it encourages selective movement forward of the grains to meet the need.

China Bans Most Oilseed Imports

The Republic of China (Taiwan) has suspended until further notice imports of all oilseeds except soybeans, according to an announcement of the Bureau of Foreign Trade, Ministry of Economic Affairs. The reason given is that current fats and oils requirements can be met from domestic supplies of lard and oilseed, together with the 500,000-metric-ton quota of soybeans allowed for import during the April-December period. The 1970 import quota for soybeans, however, has not yet been established.

The import ban on other oilseeds, moreover, is considered a means of encouraging domestic oilseed production (presumably peanuts, soybeans, and rapeseed) during the 1969-70 winter season. Imports of rapeseed, principally from Canada, will be the major item affected by this restriction.

Tobacco Production Down in Philippines

The Philippine 1969 tobacco crop is currently estimated at 171.6 million pounds, down 12 percent from the 194.2 million produced in 1968. Drop in production was due to a nationwide drought in late 1968 and early 1969. However, the drought had little effect on production of flue-cured tobacco, which is currently estimated at 99.2 million pounds—somewhat up from the 97.8 million pounds produced last year. Losses were largely limited to dark air-cured tobacco.

The lower production had little appreciable effect on the available supplies of Philippine tobacco. The domestic industry continues to suffer the consequences of overproduction of low-quality tobacco and an extreme shortage of high-quality leaf.

Australia's Tobacco Leaf Quota Increased

Australia's 1969-70 tobacco marketing quota has been further increased by 1 million pounds to 32 million pounds. The quota was originally increased to 31 million pounds last March, from the quota of 28.5 million for 1968-69.

The Agricultural Council approved the increase following the Australian Tobacco Board's review of the overall supply, consumption, and stocks position. The Tobacco Board found that since the earlier 1969-70 decision in March, consumption trends had been steadily upward, and manufacturers' stocks had declined markedly.

Australia continues to be an important market for U.S. unmanufactured leaf, largely quality flue-cured. In the fiscal year 1969, a total of 16.9 million pounds of U.S. tobacco leaf was exported to Australia, compared with 12.4 million pounds in fiscal 1968.

Tobacco Imports Rise in September

U.S. general imports (arrivals) of unmanufactured tobacco during September 1969 were 8.5 million pounds, compared with 6.3 million pounds during the same month of 1968. The imports were valued at $3.2 million, just slightly higher

than the $3.0 million in September 1968. An increased quantity of cigarette leaf (flue and burley) was imported during September 1969, continuing the rise begun in August.

Cumulative imports for January-September 1969 now exceed the quantity imported in the same period of 1968. Increases were recorded for cigarette leaf (flue and burley), up 5.3 million pounds; unstemmed cigar filler, up 5.2 million pounds; and scrap, up 3.7 million pounds. Imports of other cigarette leaf (mostly Oriental) remained about 12.4 million pounds below those of last year.

Although the quantity of imports was up, cumulative value continued to lag. For the first 9 months of 1969 the value of imports was $104.5 million, compared with $114.6 million in the same period of 1968. The decline in value was caused by the decline in quantity and value of cigarette-leaf (Oriental) imports in January-September 1969 compared with 1968.

U.S. IMPORTS OF UNMANUFACTURED TOBACCO

Item	1968		1969	
	Quantity	Value	Quantity	Value
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
January-September:				
Cigarette leaf (flue & burley)	7,572	2,241	12,824	4,028
Cigarette leaf, other	136,361	92,261	123,932	78,270
Cigar wrapper	383	1,464	543	1,652
Mixed filler & wrapper	321	1,332	434	1,692
Cigar filler, unstemmed	26,500	8,143	31,732	9,708
Cigar filler, stemmed	2,405	2,995	1,662	1,975
Scrap	23,584	6,118	27,293	7,132
Stems	520	35	1,025	23
Total	197,646	114,589	199,445	104,480
September:				
Cigarette leaf (flue & burley)	199	32	1,167	338
Cigarette leaf, other	371	255	302	62
Cigar wrapper	11	36	12	56
Mixed filler & wrapper	207	742	195	705
Cigar filler, unstemmed	3,195	952	3,932	1,170
Cigar filler, stemmed	179	193	93	124
Scrap	2,079	794	2,762	704
Stems	75	6	24	1
Total	6,316	3,010	8,487	3,160

Bureau of the Census.

U.S. Leaf Exports Lag in September

Exports of unmanufactured tobacco in September by the United States totaled 61.7 million pounds, valued at $60 million. Shipments were down about 16 percent in quantity and 9 percent in declared value from the unusually heavy shipments made in September 1968.

During January-September 1969 cumulative exports continued to lag about 15 percent in volume and 10 percent in declared value behind the near-record shipments in the same period of last year. Shipments of flue-cured leaf, the major kind of U.S. leaf exported, represent the major loss so far this year; they were running about 14 percent less than in the same 9 months of last year. Burley shipments, which were down in September, were about 3 million pounds or nearly 9 percent ahead for the 9-month period in 1969.

The export value of tobacco products also continued to lag in September. Shipments had a declared value of only $11.5 million, compared with $20.4 million in the same month of 1968. For the 9-month period the cumulative value of tobacco product shipments was down about $9 million or 7.5 percent from the same period in 1968, but remained ahead of the same period in 1967.

All kinds of products reflected some loss. Shipments of cigarettes were down about 8 percent and cigars, about 2 percent. Smoking tobacco in bulk was down 15 percent in 1969 compared with the same months in 1968, but was slightly ahead of the comparable months in 1967.

U.S. EXPORTS OF UNMANUFACTURED TOBACCO
[Export weight]

Kind	September		January-September		Change from 1968
	1968	1969	1968	1969	
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Percent*
Flue-cured	49,545	47,071	310,493	265,767	−14.4
Burley	5,576	2,951	33,711	36,599	+ 8.6
Dark-fired Ky.-Tenn.	2,788	2,662	16,832	13,677	−18.7
Va. fire-cured [1]	1,166	534	4,174	3,174	−24.0
Maryland	3,076	681	11,248	7,395	−34.3
Green River	—	12	474	440	− 7.2
One Sucker	307	—	511	258	−49.5
Black Fat	438	69	2,047	664	−67.6
Cigar wrapper	552	134	3,604	1,803	−50.0
Cigar binder	28	61	2,011	531	−73.6
Cigar filler	26	18	276	432	+56.5
Other	9,864	7,540	39,672	32,071	−19.2
Total	73,366	61,733	425,053	362,811	−14.6
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent*
Declared value	65.6	60.0	363.3	325.6	−10.4

[1] Includes sun-cured. Bureau of the Census.

U.S. EXPORTS OF TOBACCO PRODUCTS

	September		January-September		Change from 1968
	1968	1969	1968	1969	
Cigar and cheroots					*Percent*
1,000 pieces	7,652	7,243	52,833	51,904	− 1.8
Cigarettes					
Million pieces	3,329	1,962	20,204	18,525	− 8.3
Chewing and snuff					
1,000 pounds	22	5	207	27	−87.0
Smoking tobacco in pkgs.					
1,000 pounds	285	93	1,210	798	−34.1
Smoking tobacco in bulk					
1,000 pounds	2,592	592	16,319	13,796	−15.5
Total declared value					
Million dollars	20.4	11.5	123.1	113.9	− 7.5

Bureau of the Census.

West Germany's Tobacco Imports Rise

Imports of unmanufactured tobacco by West Germany during the latest months for which data are available (May-July 1969) rose sharply, compared with the same period last year. A total of 114.5 million pounds of leaf tobacco was imported during this 3-month period, compared with 72.9 million and 71.5 million in the same periods of 1968 and 1967.

Cumulative imports for the first 7 months of this year (January-July) totaled 208.1 million pounds in 1969 compared with 145.1 million pounds in 1968 and 162.7 million pounds in 1967. During the period, the U.S. share represented 32 percent of West Germany's total unmanufactured tobacco imports, compared with 26 percent in 1968, and 37 percent in 1967.

Larger Dominican Republic Tobacco Crop

The 1969 tobacco harvest in the Dominican Republic is currently estimated at 46.3 million pounds, an increase of

28 percent from the short crop last year but still less than the 1960-64 average. The increase in output is largely due to an 18-percent rise in acreage. Also contributing were the expansion of irrigated land planted to tobacco and the increasing technical assistance offered by the government's Tobacco Institute.

Nearly all of the production is of dark-air cured types. In recent years, there has been a noticeable shift toward production of Cuban-type cigar tobacco. Production of this type of tobacco is estimated this year at 17.0 million pounds, compared with 13.6 million pounds in 1968. The strong demand for this tobacco reportedly leads to the best return in the export market, with export prices averaging 43.8 cents per pound in 1968, compared with 36.6 cents for 1967.

Production of flue-cured and burley tobacco still remains insignificant, but efforts are being made to increase these types after 1970.

Usually, nearly all of the Dominican crop is exported, with about 40 percent of the total destined for Spain. Important quantities are also exported to the United States, Belgium, West Germany, the Netherlands, and Puerto Rico.

U.S. Share of Cotton Import Market

Statistics from selected foreign countries (see accompanying table) show that raw cotton imports from the United States in 1968-69 accounted for 16 percent of total cotton imports by those countries, compared with 27 percent in the same months of 1967-68. The U.S. share was lower in all 15 countries specified, with the greatest reduction in imports into India and Italy.

Imports by the selected countries in the months specified totaled 9,020,000 bales (480 lb. net) in 1968-69, a loss of 9.6 percent from the previous season. The loss in trade is due in part to a decrease in aggregate consumption and some reduction in stocks by several countries. Exportable supplies in the United States were sharply reduced, primarily in CCC stocks, in the past 3 years when the small crops did not equal the offtake. Also, U.S. export movement in 1968-69 was hampered by a 3-month dock strike.

COTTON IMPORTS BY SPECIFIED COUNTRIES
[Bales of 480 lb. net]

Importing country	No. of mos.[1]	1967-68 Total	1967-68 From U.S.	1967-68 U.S. share	1968-69[2] Total	1968-69[2] From U.S.	1968-69[2] U.S. share
		1,000 bales	*1,000 bales*	*Per-cent*	*1,000 bales*	*1,000 bales*	*Per-cent*
Austria	12	99	15	15	96	9	9
Belgium	10	252	32	13	254	14	6
Canada	12	361	157	43	347	115	33
Denmark	12	33	18	55	20	9	45
Finland	11	74	12	16	66	7	11
France	12	1,086	159	15	1,144	108	9
Germany, West	10	1,170	89	8	930	25	3
Hong Kong	11	687	244	36	719	214	30
India	9	448	334	75	292	44	15
Italy	10	853	289	34	776	132	17
Japan	12	3,499	1,064	30	3,131	664	21
Netherlands	11	337	27	8	262	16	6
Sweden	12	87	77	89	64	54	84
Switzerland	12	186	32	17	204	19	9
United Kingdom	11	804	[3] 130	16	715	[3] 57	8
Grand total	—	9,976	2,679	27	9,020	1,487	16

[1] Seasons beginning Aug. 1. [2] Statistics for some countries are preliminary. [3] Includes Mexican cotton transshipped through U.S. ports.

U.S. Cotton Exports Down in September

U.S. cotton exports totaled 141,000 running bales in September, down from 147,000 bales in August and 262,000 in September 1968. Shipments in the first 2 months (August-September) of the current season totaled 288,000 bales, down 39 percent from the 475,00 bales shipped during the same period the previous year.

Exports to Europe and Japan were only about one-third of the amount shipped to these countries during the first 2 months last year, while exports to India and Indonesia were up sharply.

U.S. COTTON EXPORTS BY DESTINATION
[Running bales]

Destination	Year beginning August 1 Average 1960-64	1967	1968	Aug.-Sept. 1968	Aug.-Sept. 1969
	1,000 bales	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*
Austria	23	1	0	0	0
Belgium-Luxembourg	121	45	30	4	4
Denmark	14	10	1	1	0
Finland	17	11	3	0	2
France	319	148	88	17	3
Germany, West	269	100	31	6	5
Italy	345	253	62	17	6
Netherlands	110	36	19	2	2
Norway	13	7	5	2	0
Poland	125	77	106	9	0
Portugal	21	9	8	1	2
Spain	74	7	5	1	[1]
Sweden	81	75	51	6	4
Switzerland	74	60	32	7	1
United Kingdom	244	125	48	7	3
Yugoslavia	112	67	54	0	0
Other Europe	17	24	7	5	1
Total Europe	1,979	1,055	550	85	33
Algeria	9	13	27	7	0
Australia	61	17	0	0	[1]
Bolivia	7	0	0	0	0
Canada	353	142	108	12	17
Chile	18	1	[1]	[1]	[1]
Colombia	3	0	[1]	0	0
Congo (Kinshasa)	6	13	0	0	0
Ethiopia	9	22	9	1	1
Ghana	1	12	17	3	2
Hong Kong	148	299	194	59	12
India	314	342	174	5	29
Indonesia	40	70	105	0	54
Israel	15	4	1	1	0
Jamaica	4	1	2	0	0
Japan	1,192	1,103	536	116	38
Korea, Republic of	261	351	447	99	52
Morocco	12	35	19	[1]	2
Pakistan	14	18	1	0	2
Philippines	123	154	119	29	5
South Africa	41	23	9	1	[1]
Taiwan	209	378	259	34	29
Thailand	34	90	66	13	1
Tunisia	2	14	0	0	0
Uruguay	6	0	0	0	0
Venezuela	8	[1]	[1]	[1]	0
Vietnam, South	46	24	62	6	9
Other countries	9	25	26	4	2
Total	4,924	4,206	2,731	475	288

[1] Less than 500 bales.

Mexican Cotton Crop Estimates Revised

Estimates of the 1969 Mexican cotton crop have been further reduced because of prolonged adverse weather and

insect damage. Currently, private estimates average 1.8 million bales, down 0.2 million from estimates 2 months ago and one-third below last year's crop of 2.45 million bales.

Recent Liverpool prices for Mexican cotton have held at a level slightly above those for similar qualities of U.S. cotton.

Japan Produces Fewer Hops

Japan's 1969 hops crop is placed at 5,811,000 pounds, 20 percent below last year's record 7,264,000 pounds. Typhoon damage during the blooming period and high humidity and fungus during the summer were the causes of the reduction.

Brewers have raised their purchasing prices for the domestic crop for several years in order to cover the increased production cost to growers. The purchasing price for 1969 crop grade No. 1 was raised $0.24 to $1.07 per pound.

JAPAN'S HOPS SUPPLY AND DISTRIBUTION

Item	1965-66	1966-67	1967-68	1968-69
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*
Beginning stocks (Sept. 1)	1,653	1,087	882	220
Production	5,935	6,845	7,039	7,264
Imports	1,969	1,455	1,290	2,710
Total	9,557	9,387	9,211	10,194
Exports	—	—	—	—
Domestic disappearance	8,470	8,505	8,991	9,304
Ending stocks (Aug. 31)	1,087	882	220	890
Total distribution	9,557	9,387	9,211	10,194

West German Canned Deciduous Fruit

West Germany reported a record 4,311,000 case (equivalent 24/2½'s) canned deciduous fruit pack for 1968-69. This is 34 percent above last season and 39 percent above the 1962-66 average.

The record pack was due entirely to larger outputs of cherries and sweetened plums. Canned apple production totaled 1,618,000 cases, 15 percent below 1967.

WEST GERMAN CANNED DECIDUOUS FRUIT PRODUCTION

Item	Average 1962-66	1966	1967	1968
	1,000 cases [1]	*1,000 cases* [1]	*1,000 cases* [1]	*1,000 cases* [1]
Cherries:				
Sweet	—	188	182	193
Sour	—	390	544	839
Total	559	578	726	1,032
Apples	1,405	1,700	1,912	1,618
Apricots	8	6	5	8
Peaches	13	11	12	8
Pears	18	15	10	15
Plums & prunes	750	684	364	1,481
Mixed fruit [2]	338	186	180	149
Grand total	3,091	3,180	3,209	4,311

[1] Cases of 24/2½'s. [2] Represents mostly production of small processors who supply no details; includes production of mixed fruit.

Malaysian Canned Pineapple Pack Up

Production of canned pineapple in Malaysia is estimated at 3.24 million cases (basis 24/2½'s) in 1969, 112,000 cases above the 1968 output. The total supply, however, is forecast below that of a year earlier because of smaller carry-in stocks. The 1969 pack of canned pineapple juice is estimated at 1,232 short tons, compared with 1,123 tons produced in 1968.

Most of Malaysia's annual supply of canned pineapple products is exported. In 1968 canned pineapple exports increased 7 percent to 3.29 million cases, valued at US$15.7 million, and represented over 90 percent of the total available supply. Movement abroad is expected to expand in 1969.

Increased sales of canned pineapple to West Germany and the United States in 1968 more than offset a small drop in sales to Canada and the United Kingdom, the leading customer for Malaysian exports. The United Kingdom received 31 percent of the exports in 1968, followed by the United States (28 percent), Canada (13 percent), and West Germany (11 percent). The f.o.b. value of Malaysia's exports to the United States averaged $4.89 per case, 3 percent above the 1967 average.

Exports of canned pineapple juice dipped to 1,083 tons in 1968 from 1,093 tons a year earlier. The leading markets were the United Kingdom, Saudi Arabia, and Singapore.

Virtually all of Malaysia's canned pineapple exports are shipped via Singapore. Recently the Governments of Malaysia and the Republic of Singapore jointly established an export company known as the Consolidated Pineapple Sales (Private), Ltd. The functions of this export company replace those of the Pineapple Industry Marketing Corporation in controlling prices of Malaysian canned pineapple exported to the United Kingdom. The company reportedly has been helpful in stabilizing prices in the United Kingdom and improving buyers' confidence in Malaysian products.

Four canneries currently produce canned pineapple products in Malaysia. In 1968 they processed about 286,000 tons of pineapples. One cannery in Singapore also processes pineapples grown in Jahore, the largest pineapple producing State in Malaysia. In order to create additional employment opportunities for Malaysia's rapidly growing population and to provide sufficient processing facilities for the expanding pineapple production on small landholdings, the Government of Malaysia has plans for the construction of four additional canneries—three in West Malaysia and one in East Malaysia.

MALAYSIA'S CANNED PINEAPPLE SUPPLY AND DISTRIBUTION

Item	1967	1968	1969 [1]
	1,000 cases [2]	*1,000 cases* [2]	*1,000 cases* [2]
Beginning stocks (Jan. 1)	498	472	273
Imports	1	(*)	(*)
Production	3,079	3,124	3,236
Total supply	3,578	3,596	3,509
Exports	3,077	3,289	3,385
Domestic disappearance	29	34	35
Ending stocks (Dec. 31)	472	273	89
Total distribution	3,578	3,596	3,509

[1] Preliminary. [2] Basis 24/2½'s (45 lb.). [3] Less than 500 cases.

Short Spanish Canned Fruit Pack

Spring frosts severely cut 1969 Spanish production of canned deciduous fruit pulps and fruits in sirup. The 1969 pack of canned fruit pulp is estimated at 5,980,000 cases of equivalent 24/2½'s, 12 percent below 1968 and the smallest pack since 1966. Production of canned fruits in sirup is

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estimated at 2,950,000 cases, 18 percent below 1968 and the smallest pack since 1965. Recent expansion in Spanish canned fruit production levels kept both packs above the 1963-67 average.

March and April frosts severely damaged the important apricot and peach crops but caused only limited damage to pears, cherries, and other fruits. Heavy consumer demand for fresh fruit assisted in establishing a record clingstone peach canning price of $156 per short ton, double last year's price of $78 per ton. Production of canned clingstones is estimated at 1,150,000 cases and that of peach pulp at 2,100,000 cases. Comparable 1968 packs were 1,371,000 cases and 2,228,000 cases, respectively. The 1969 pack of canned apricots in sirup is estimated at 1,000,000 cases, 24 percent below last season's pack of 1,323,000 cases. Canned apricot pulp totaled 3,100,000 cases, 463,000 cases less than 1968. The 1969 field price for canning Bulida-variety apricots ranged from $84 to $130 per ton.

SPANISH CANNED FRUIT PRODUCTION

Item	1965	1966	1967	1968	1969 [1]
	1,000 cases [2]	*1,000 cases* [2]	*1,000 cases* [2]	*1,000 cases* [2]	*1,000 cases* [2]
Fruits in sirup:					
Apricots	1,178	1,301	1,666	1,323	1,000
Peaches	1,196	1,320	1,323	1,371	1,150
Others	312	343	392	922	800
Total	2,686	2,964	3,381	3,616	2,950
Fruit pulps:					
Apricots	3,295	2,934	3,418	3,563	3,100
Peaches	1,699	1,933	2,128	2,228	2,100
Others	535	769	896	985	780
Total	5,529	5,636	6,442	6,776	5,980

[1] Estimate. [2] Equivalent 24/2½'s.
Spanish Fruit and Vegetable Syndicate.

Short Dried Apricot Crop in Iran

Early spring frost and fungus damage in some areas cut 1969 Iranian dried apricot production to 4,400 short tons, less than half the 1968 pack of 9,400 tons and 30 percent below the 5-year 1963-67 average. Quality was reportedly good, especially in the Shahrud region.

Forecasts indicate that 1969-70 season exports will reflect the short crop and may total only 3,700 tons, considerably below the 1968-69 level of 8,800 tons. Most Iranian dried apricots are exported. The major 1968-69 season markets were Russia, East Germany, West Germany, and the United States.

The wholesale price of dried apricots on the Tehran market during July and August 1969 was 23-25 cents per pound compared with 19-22 cents per pound during the same period of 1968.

IRAN'S DRIED APRICOTS
SUPPLY AND DISTRIBUTION

Item	1967-68	1968-69 [1]	1969-70 [2]
	Short tons	*Short tons*	*Short tons*
Beginning stocks (Sept. 23)	800	300	200
Production	7,200	9,400	4,400
Total supply	8,000	9,700	4,600
Exports	7,000	8,800	3,700
Domestic disappearance	700	700	700
Ending stocks (Sept. 22)	300	200	200
Total distribution	8,000	9,700	4,600

[1] Preliminary. [2] Estimate.

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